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FAX 1-256-382-3801

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Chk # 206033
Amount 25.00
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Date 8-9-02

August 8, 2002

VIA OVERNIGHT DELIVERY

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

DOCKET NO.

02-00847

Re: Petition for approval for indirect transfer of control of ITC^DeltaCom
Communications Inc.

Dear Mr. Waddell:

Enclosed please find an original and thirteen (13) copies of ITC^DeltaCom
Communication, Inc.'s Application and a check made payable to the TRA in the
amount of \$25.00.

Please acknowledge receipt of this application by date-stamping the extra filed
copy of the application and cover letter and return it to my attention in the self-
addressed postage-prepaid envelope provided for your convenience.

Should you have any questions regarding this filing, please contact me at
(800)239-3000, ext. 3856.

Very truly yours,

Nanette S. Edwards
Director - Regulatory

/nse

Enclosure:

VERIFICATION

I am authorized to represent ITC^DeltaCom, Inc., and ITC^DeltaCom Communications, Inc., and to make this verification on their behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are herein stated on information and belief, and as to those matters, I believe them to be true. I declare under penalty of perjury that the foregoing is true and correct.

By: Tom Mullis

Name: Tom Mullis

Title: Senior Vice President

Date: August 8, 2002

Sworn and subscribed to
before me this 8th
day of August, 2002.

[Signature]

Notary Public

My Commission expires: 2/15/04

In support of this Application, ITC^DeltaCom, Inc., and ITC^DeltaCom Communications, Inc., provide the following information:

I. The Applicants

A. ITC^DeltaCom Communications, Inc. (DeltaCom)

ITC^DeltaCom Communications, Inc., is a wholly-owned subsidiary of Interstate FiberNet, Inc., which in turn is wholly-owned by ITC^DeltaCom, Inc., headquartered at 1791 O.G. Skinner Drive, West Point, Georgia 31833.

ITC^DeltaCom Communications, Inc., is incorporated under the laws of the state of Alabama and is qualified to transact business in Tennessee as a foreign corporation.

ITC^DeltaCom Communications, Inc., is a provider of interexchange services and competitive local exchange services. ITC^DeltaCom Communications, Inc., is authorized to provide long distance telecommunications services in all 50 states, including Tennessee. ITC^DeltaCom Communications, Inc., received its authority to provide telecommunications services in Tennessee on September 8, 1995 in Docket No. 95-02826 for long distance services and on January 2, 1997 in Docket No. 96-01431 for competitive local services. ITC^DeltaCom, Inc. has no certificates of authority.

B. ITC^DeltaCom, Inc. (New ITC)

ITC^DeltaCom, Inc. as Debtor-in-Possession ("ITC/DIP" or "Old ITC") and ITC^DeltaCom, Inc. ("New ITC") hereby seek consent to the transfer of control of ITC^DeltaCom Communications, Inc. ("DeltaCom") from ITC/DIP to New ITC.

Grant of the requested transfer of control will permit consummation of a plan of reorganization (“POR”) that is currently being considered by the United States Bankruptcy Court for the District of Tennessee (Case No. 02-11848 (MLW)).

Pursuant to the POR, ITC/DIP will emerge from bankruptcy with a revised ownership structure as New ITC. It will remain the same corporate entity, but it will no longer be a debtor-in-possession, and it will have a new corporate charter.

The POR provides for cancellation of the existing common stock and preferred stock of Old ITC. The POR also provides that New ITC will issue new common stock. More than 85% of the new common stock will be distributed to the holders of senior and subordinated convertible notes of Old ITC (the “Noteholders”).

Campbell B. Lanier, III (“Mr. Lanier”), a director and current stockholder of Old ITC, and SCANA Corporation (“SCANA”), a current stockholder of Old ITC, each have agreed to purchase up to \$15 million of a new issue of Series A convertible preferred stock of New ITC. Mr. Lanier and SCANA will also receive common stock of New ITC and warrants to purchase additional common stock of New ITC. Other existing preferred and common stockholders will also be entitled to purchase on a pro rata basis, up to a specified amount, the convertible preferred stock and warrants that Mr. Lanier and SCANA have agreed to purchase. No single shareholder will own a controlling interest in New ITC.

The initial board of directors of New ITC will consist of seven members. Larry F. Williams will continue to serve on the Board. The Noteholders will be entitled to designate a total of four board members, two of whom will be independent directors. Holders of the new Series A convertible preferred stock will

be entitled to designate the remaining two board members. The existing senior management team of ITC/DIP will remain in place, led by Chief Executive Officer Larry F. Williams.

II. Designated Contacts

The designated contact for questions concerning this Application is:

Nanette S. Edwards
Director -Regulatory
ITC^DeltaCom Communications, Inc.
4092 S. Memorial Pkwy
Huntsville, Alabama 35802
(800) 239-3000, ext. 3856
(256) 382-3936 facsimile

III. Description of the Transaction

On June 25, 2002, ITC^DeltaCom, Inc. ("ITC/DIP" or "Old ITC") filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Tennessee in order to accomplish a pre-negotiated plan of reorganization. ITC/DIP will continue to manage its properties and operate its business as a "debtor-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code.

The POR contemplates a restructuring of Old ITC's ownership and the elimination of a significant portion of the company's debt. The POR is the result of a pre-negotiated agreement between Old ITC and members of the Noteholders.

The agreement will permit the company to continue to operate pursuant to a business plan approved by the noteholders.

The POR provides for New ITC to emerge from bankruptcy with the following ownership:

- **Old ITC's senior note debt will be eliminated, and holders of these notes will receive 81.5% of New ITC's common stock.**
- **Old ITC's subordinated convertible note debt will be eliminated, and holders of these notes will receive 5% of New ITC's common stock.**
- **Old ITC's common stock, Series A preferred stock and Series B preferred stock will be cancelled, and holders of these shares will collectively receive a total of 1% of New ITC's common stock.**
- **As noted above, Mr. Lanier and SCANA have committed to purchase new Series A convertible preferred stock to be issued by New ITC, and other shareholders will be entitled to purchase these shares on a pro rata basis up to certain limits. In exchange for their commitment, Mr. Lanier and SCANA will receive 2% of New ITC's common stock. The Series A preferred stock, if converted, will represent 10.5% of the common stock of New ITC. All of the ownership percentages described above assume conversion of the Series A preferred stock into common stock.¹**

¹ If the Series A stock is not converted, the New ITC common stock distributed to the various interest holders would represent the following percentages of the total: senior note holders 91.1%; subordinated convertible note holders 5.6%; Old ITC common stock, Series A preferred stock and Series B preferred stock holders 1.1%; and stock distributed to Mr. Lanier

ITC/DIP currently holds 100 percent of the equity of Interstate FiberNet, and subsequent to the proposed reorganization, New ITC will hold 100 percent of the equity of Interstate FiberNet. DeltaCom is and will remain a direct wholly-owned subsidiary of Interstate FiberNet. Organizational charts are attached as Exhibit A.

The Parties have reviewed the most reasonably current information available to them regarding the holdings of the debt and equity of Old ITC. Based on that information, the Parties have determined that upon consummation of the POR, two affiliated funds will beneficially own a total of approximately 21.4% of the common stock of New ITC and that no other person or entity will hold a greater than 10% equity interest in New ITC. Specifically, Appaloosa Investment Limited Partnership I (“AILP”), a Tennessee limited partnership, will hold 11.4% of New ITC’s common stock, and Palomino Fund Ltd. (“Palomino”), a British Virgin Islands company, will hold 10% of New ITC’s common stock.

Assuming repayment of certain capital lease obligations, ITC/DIP’s total indebtedness will be reduced from approximately \$724 million at March 31, 2002 to approximately \$194 million of indebtedness under its senior credit facility and capital leases. As a result, ITC/DIP also estimates that 2002 annual interest expense on a pro forma basis will decrease from approximately \$55 million to between approximately \$11 million and \$13 million.

and SCANA in exchange for their commitment to purchase the convertible

The proposed transfer will be seamless to DeltaCom's customers. DeltaCom's name, rates and service offerings, as reflected in its tariff, will not change as a result of the proposed transaction. There will be no interruption of service. The physical assets, property, and personnel of DeltaCom, will remain the same after the reorganization. The location address, customer service numbers for billing and service problems, liaison with TRA staff, and tariffed rates will remain the same.

The proposed transaction is *pro forma*, and will not result in any direct transfer of control of DeltaCom as it will still be wholly owned by Interstate FiberNet, Inc.

IV. Public Interest Analysis

Grant of the instant application will serve the public interest, convenience, and necessity. It will allow Old ITC to emerge from bankruptcy with a revised ownership structure and improved capitalization. Its operating subsidiary, DeltaCom, will be able to provide uninterrupted telecommunications services to existing customers. Consummation of the proposed transaction will result in net benefits to DeltaCom's customers by strengthening the financial status of its ultimate parent corporation. Furthermore, the proposed reorganization is pro-competitive. It does not involve the merger or consolidation of competing carriers. Instead, it will permit DeltaCom to continue to offer services in competition with

preferred stock 2.2%.

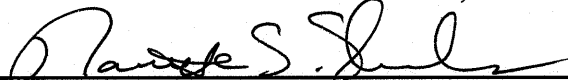
other providers, including the incumbent local provider. Thus, implementation of the POR will allow continuity of service to customers and promote competition, and is therefore in the public interest. The transaction outlined herein will be made in a seamless fashion that will not adversely affect the provisioning of telecommunications services in Tennessee, but will in fact increase the financial strength of the entity providing telecommunications service in Tennessee. The TRA's ability and authority to regulate DeltaCom and to ensure that it satisfies all obligations, commitments and regulatory requirements established by the laws of the state of Tennessee and by the TRA will remain unchanged. Thus, there are no potential public-interest harms raised by the proposed transaction and there will be clear benefits to the public upon approval and closing of this transaction.

WHEREFORE, ITC^DeltaCom, Inc., and ITC^DeltaCom Communications, Inc., respectfully request that the TRA grant any necessary authority for an indirect transfer of control ITC^DeltaCom Communications, Inc.

Respectfully submitted,

ITC^DeltaCom, Inc. and

ITC^DeltaCom Communications, Inc.

By: 

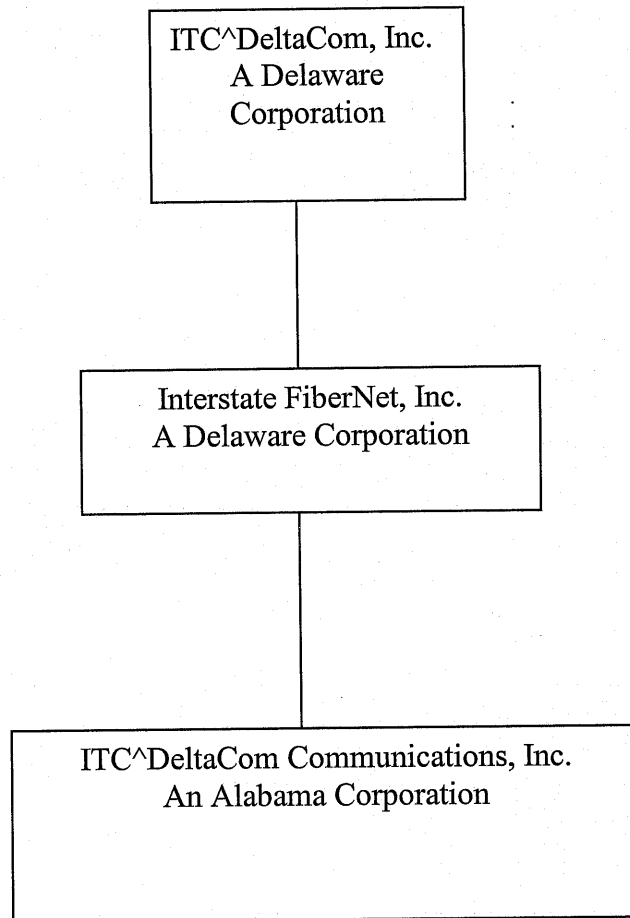
Nanette S. Edwards
Director -Regulatory
ITC^DeltaCom Communications, Inc.
(800) 239-3000, ext. 3856

Its Attorney

Dated: August 8, 2002

EXHIBIT A

CURRENT ORGANIZATION STRUCTURE



NEW ORGANIZATION STRUCTURE

